



Docket: UE20733
Order: UE21-16

IN THE MATTER of an application by Maritime Electric Company, Limited for an order of the Island Regulatory and Appeals Commission approving the 2022 Annual Capital Budget, pursuant to section 17(1) of the *Electric Power Act*, R.S.P.E.I. 1988, Cap. E-4;

AND IN THE MATTER of an application by Maritime Electric Company, Limited for an order of the Island Regulatory and Appeals Commission approving the 2020 Capital Budget Variance Report, pursuant to section 17(4) of the *Electric Power Act*, *supra*.

CERTIFIED A TRUE COPY

Cheryl Mosher

Cheryl Mosher,
Senior Financial Advisor
Island Regulatory & Appeals Commission

Order

BEFORE THE COMMISSION ON Friday, the 14th day of December, 2021.

J. Scott MacKenzie, Q.C., Chair
M. Douglas Clow, Vice-Chair
Erin T. Mitchell, Commissioner

BACKGROUND:

1. On February 25, 2021, Maritime Electric Company, Limited (“MECL” or the “Company”) filed a report with the Island Regulatory and Appeals Commission (the “Commission”) detailing its actual expenditures on improvements or additions to its property for 2020 (the “2020 Capital Budget Variance Report”), as required by section 17(4) of the *Electric Power Act*, R.S.P.E.I. 1988, Cap. E-4 (the “Act”).
2. On July 14, 2021, MECL filed an application with the Commission, pursuant to section 17(1) of the *Act*, seeking approval of the Company’s 2022 Annual Capital Budget (the “Application”).
3. Following receipt, notice of the Application was published on the Commission website and in local newspapers. Interested persons were invited to submit written comments and questions to MECL with respect to the Application.
4. One interested member of the public issued written questions to MECL and filed written comments with the Commission.
5. The Commission issued interrogatories to MECL on October 14, 2021, requesting further explanation and information that would allow the Commission to make an informed decision with respect to the Application.
6. MECL filed responses to the Commission’s interrogatories on November 12, 2021.
7. The Commission has also engaged an independent expert, Synapse Energy Economics, Inc. (“Synapse”), to undertake a review of MECL’s Integrated System Plan (“ISP”), including a review of the Company’s Distribution Asset Management Program (“DAMP”). As the ISP and DAMP inform MECL’s annual capital budget, Synapse also issued interrogatories to MECL relating to its proposed capital expenditures and improvements for 2022.
8. Synapse issued its interrogatories to MECL on September 28, 2021. MECL filed its responses on October 22, 2021.

DECISION:

9. The Commission has had an opportunity to review the Application, as well as the additional information provided by MECL in response to interrogatories. The Commission is satisfied that the proposed capital expenditures for 2022 are, in the circumstances, reasonable.
10. Although the Commission is prepared to approve the On-Island Generating Capacity Study set forth in section 4.2(a) of the Application, the Study must incorporate and/or address:
 - a. any relevant recommendations made by Synapse in its review of MECL’s ISP and DAMP; and

- b. any impacts arising from the Electricity Efficiency & Conservation (“EE&C”) Plan that is anticipated to be approved in 2022, including any impact that the approved EE&C Plan may have on peak load and supply needs.
11. Upon completion, the On-Island Generating Capacity Study shall be filed with the Commission.
12. In addition to the annual capital expenditures for 2022, MECL must also obtain Commission approval for the unspent portion of any previously approved capital budget that MECL intends to carryover and spend in 2022.
13. In response to Commission interrogatories, MECL advised that it forecasts to carryover \$9,041,000 in capital expenses from previous years. Of this amount, \$5,239,000 is proposed to be carried over from 2021, and the remaining \$3,802,000 is from earlier capital budgets.
14. The Commission has concerns about the amount proposed to be carried over by MECL, as the total capital expenditures in 2022 will be approximately \$49 million. However, the Commission recognizes that of the approximately \$9 million carryover amount, approximately \$6.12 million is related to the PEI Broadband Project. The work being performed on the PEI Broadband Project in a given year is driven by third parties (namely Bell Canada and Xplornet Communications) and, as a result, the annual expenditures related to the project are outside of MECL’s control.
15. An additional \$1.56 million of the proposed carryover amount relates to supplier delays for vehicles ordered by MECL. The Commission recognizes that supplier delays are outside of MECL’s control and may be impacted by the ongoing global pandemic.
16. These two line items alone account for approximately 85 percent of the total carryover amount.
17. The Commission recognizes that these expenditures were not spent in the year in which they were approved due to third party delays that are outside the control of MECL. In the circumstances, the Commission is prepared to approve the carryover amount of \$9,041,000.

ORDER:

The Commission Orders as follows:

1. The 2020 Capital Budget Variance Report is approved as filed with the Commission on February 25, 2021.
2. The Company’s 2022 Annual Capital Budget is approved as filed with the Commission on July 14, 2021.

3. The On-Island Generating Capacity Study set forth in section 4.2(a) of the Application must incorporate and/or address:
- a) any relevant recommendations made by Synapse in its review of MECL's ISP and DAMP; and
 - b) any impacts arising from the Electricity Efficiency & Conservation ("EE&C") Plan that is anticipated to be approved in 2022, including any impact that the approved EE&C Plan may have on peak load and supply needs.
4. Upon completion, the On-Island Generating Capacity Study shall be filed with the Commission.
5. A summary of the approved 2022 annual capital expenditures is as follows:

Expenditure	Amount
Generation	\$1,245,000.00
Distribution	\$28,249,000.00
Transmission	\$8,889,000.00
Corporate	\$4,035,000.00
Capitalized General Expense	\$690,000.00
Interest During Construction	\$496,000.00
Less: Customer Contributions	<u>(\$3,538,000.00)</u>
Net Capital Expenditures	<u>\$40,066,000.00</u>

6. In addition to the approved 2022 annual capital expenditures, the Commission approves the forecast carryover of \$9,041,000 from the 2021 and prior year capital budgets.

DATED at Charlottetown, Prince Edward Island, this 14th day of December, 2021.

BY THE COMMISSION:

(sgd) J. Scott MacKenzie

J. Scott MacKenzie, Q.C., Chair

(sgd) M. Douglas Clow

M. Douglas Clow, Vice-Chair

(sgd) Erin T. Mitchell

Erin T. Mitchell, Commissioner

